

14 February 2025

**Evidence from the Institute of Revenues, Rating and Valuation to the LGHP Committee Council Tax Inquiry in Scotland.**

The Institute of Revenues, Rating and Valuation (IRRV) is pleased to provide this submission to the LGHP Committee Council Tax Inquiry in Scotland.

The IRRV is the professional body concerned with all aspects of local taxation and local benefits administration across the United Kingdom. Institute members, in both the public and private sectors, are engaged in local authority benefits administration, local tax administration, valuation of property for taxation and other purposes, the appeals processes and financial management in local government.

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### **About the Institute**

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### **Written Submission**

#### Progress made by the Joint Working Group on Sources of Local Government Funding and Council Tax Reform since its first meeting in 2022.

3. The Institute notes the progress made by the Joint Working Group on Sources of Local Government Funding and Council Tax Reform since its first meeting in 2022.
4. It is encouraging that the Group have moved into developing and implementing plans for public engagement to build consensus on the nature of reform, and we would like to see further information of the Scottish Parliament's plan to reach such a consensus.

#### Barriers to change in this area.

5. One barrier to change in Council Tax is the absence of a universally accepted alternative to the tax.
6. Another barrier remains the insufficient political will to implement change, most likely due to the negative reception that such a change would elicit.

#### Ways in which barriers to change could be addressed.

7. There must be a clear strategy for change, outlining the primary drivers and benefits and how they outweigh the less favourable impacts of the change (such as raised council tax bills for some households).

#### Arguments for and against a revaluation of domestic properties being undertaken in Scotland.

For:

8. It is universally accepted that the 1991 'tone' date is not sustainable.
9. A Council Tax revaluation would significantly reduce inequality amongst tax payers.
10. A revaluation is fundamental to enable Council Tax to continue, in the absence of any viable alternative form of local taxation.

Against:

11. A revaluation would require adequate resourcing and time to implement properly. The volume of appeals could be considerable and again would require adequate resource. A public communications strategy would be needed, not least to try to reduce the volume of inquiries that will be misrouted to local authorities.

What Scotland can learn from other countries – for example Wales - in terms of their approaches to revaluation and reform.

12. The Institute will address this question through our Wales representative in an upcoming evidence session with the LGHP Committee.

Likely costs of any revaluation exercise in Scotland and how they should be funded.

13. Whilst the Institute accepts that there will be costs involved in a revaluation, we put forward the view that any element of cost recovery can be built into financial modelling for the Scottish Government; the Scottish Government must cover any and all costs to Local Government associated with the revaluation as and when they occur.

Assuming that council tax remains one of the main local taxes in Scotland, what other reforms to the tax could be explored?

14. The Institute supports the removal or, if not possible, the reduction of Single Person Discount (SPD). Those who require financial assistance could then be supported through other means that better reflected their ability to pay the Council Tax.
15. The removal of discount on water charges needs to be explored, on the basis that Council Tax Reduction allows for 100% reduction in water charges, rather than the current 35%. Water charge debt is a greater concern than council tax debt: the poorest in society are paying 65% of their water charges, despite receiving 100% reduction in their council tax bill. As such, water charges should receive full exemption.
16. We support the creation of additional Council Tax bands alongside the revaluation as this will create a fairer spread of Council Tax values across Scotland; creating one lower band and two higher bands would be a sensible approach.
17. Further devolving of reductions to Local Authorities should be explored, giving them the ability to set their own tax raising powers (as has already happened with non-domestic rates for empty properties).
18. We maintain that a review of all discounts and exemptions is absolutely necessary for Council Tax reform.
19. Finally, regular revaluations will help to create a lasting fairer Council Tax system; therefore allowing 'improvements' to domestic properties to be detected even where there has not been a change of owner.

Clarity of Purpose

20. A key point that must be addressed by the Scottish Government is the intention of a Council Tax revaluation – is it to redistribute values, or to increase revenue? If the intention is to make the system fairer, then this must be addressed by ensuring that those in lower Council Tax bands see a reduction in their bill, as well as those in higher bands paying more; if only the latter is implemented, then the revaluation will serve only as a revenue raising exercise and public sentiment may be of increased antipathy in the revaluation process.